

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHBU #0792/01 1141023  
ZNR UUUUU ZZH  
R 241023Z APR 07  
FM AMEMBASSY BUENOS AIRES  
TO RUEHC/SECSTATE WASHDC 7929  
RUCPDOG/USDOC WASHINGTON DC  
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHC/DEPT OF LABOR WASHINGTON DC  
RHMFIUU/HQ USSOUTHCOM MIAMI FL  
RUEHAC/AMEMBASSY ASUNCION 6114  
RUEHCV/AMEMBASSY CARACAS 1198  
RUEHMN/AMEMBASSY MONTEVIDEO 6381  
RUEHSG/AMEMBASSY SANTIAGO 0359  
RUEHBR/AMEMBASSY BRASILIA 5974  
RUEHGT/AMEMBASSY GUATEMALA 0193  
RUEHLP/AMEMBASSY LA PAZ APR VILNIUS 0029  
RUEHSO/AMCONSUL SAO PAULO 3256  
RUEHRI/AMCONSUL RIO DE JANEIRO 2199

UNCLAS BUENOS AIRES 000792

SIPDIS

SIPDIS  
SENSITIVE

USDOC FOR 4322/ITA/MAC/OLAC/PEACHER  
PASS NSC FOR JOSE CARDENAS, ROD HUNTER  
PASS USTR FOR EEISSENSTAT, SCRONIN

E.O. 12958: N/A  
TAGS: [ECON](#) [EINV](#) [PREL](#) [VZ](#) [AR](#)  
SUBJECT: AMBASSADOR MEETS ARGENTINE BUSINESS LEADERS

¶1. (U) The following cable contains business-confidential information and should not be distributed via internet.

-----  
Summary  
-----

¶2. (SBU) Association of Argentine Businessmen (AEA) Directors, a who's who of Argentina's business elite, are generally upbeat on Argentina's medium term economic and business prospects. In an April 18 lunch with the Ambassador, they supported greater GoA engagement with the USG on trade issues, but doubted the likelihood of substantive progress prior to elections. They decried the short term, opportunistic orientation of Argentine businesses -- including their own -- that leads them to focus on quick returns and investment in primary commodity production rather than in more complex value added production. To help Argentine business and government leaders better understand the global competitive environment in which Argentina operates, they suggested that the USG highlight the success of US and Argentine firms who have made long term investment commitments here and in Brazil pay off. Ambassador noted that the "Americas Competitiveness Forum" in June would be a good place to explore these issues more in depth. AEA Directors were pleased to see the USG expanding its competitiveness dialogue beyond the NAFTA countries. On biofuels, they said that it would be good if Argentina were to participate more fully in the cooperation that the U.S. and Brazil had initiated. On Venezuela, AEA Directors argued that the USG should regard incidents like Chavez's March 9 anti-imperialist rally in Buenos Aires and related GoA populist statements as inconsequential and more show than substance. End Summary

-----  
A Who's Who of Argentina's Business Elite  
-----

¶3. (SBU) On April 18, Ambassador Tony Wayne, accompanied by DCM, Economic Counselor and Commercial Counselor, met over lunch with key members of the Board of Directors of AEA (Association of Argentine Businessmen), the premier private sector organization that represents the views of Argentine business leaders. Participants

included: Paolo Rocca, majority shareholder and President of Techint, Argentina's largest and most diversified industrial conglomerate with engineering, construction and services firms, including Tenaris, a world class steel producer; Luis Pagani, President of ARCOR, the world's largest producer of hard candies and a major supplier to Wal-Mart in the U.S; Aldo Roggio, Chairman of Roggio Holding, an infrastructure and services conglomerate whose investments include Buenos Aires Metro and Sanitation Services and the Rio de Janeiro Metro; Sebastian Bago, CEO of the leading local pharmaceutical firm in Argentina, Laboratorios Bago, which has a strong presence in Latin America and employs 4,800; Juan Bruchou, President of Citibank for Argentina, Uruguay and Paraguay, as well as President of both the Argentine Banking Association and the American Chamber of Commerce in Argentina; Carlos Miguens, head of the Bemberg Group, a major investment company with interests in mining and energy; Hector Magnetto, head of Grupo Dominio that controls Grupo Clarin, publisher of the largest Spanish-language daily newspaper in the world and owner of Argentina's leading cable television company; Eduardo Elsztain, Argentina's biggest real estate developer and Treasurer of the World Jewish Council; and Jaime Campos, Executive Director of the AEA.

14. (SU) AEA Directors said they felt it important that Argentina and the United States enjoy a friendly and productive relationship which they said both sides needed to work harder to achieve. While they recognized that some current GoA economic policies were inappropriate for dealing with challenges like inflation, they agreed that the economy was healthy and would continue to perform well in the medium term, especially given the country's budget and trade surpluses, the strong world economy and demand for Argentine commodities and the relatively debt-free status of Argentine consumers and producers. They recognized that GoA spending had increased significantly during this electoral season, but were not overly concerned about the prospect of over-heating given the strong fiscal and foreign currency reserve situation the GoA enjoys.

15. (SBU) Notwithstanding Argentina's spectacular and now five-year strong economic recovery, some business leaders called themselves justifiably cautious. Techint's Rocca (whose company has progressively diversified the bulk of its assets outside of Argentina over the past decade) called his company in "survival" mode in regard to his holdings in Venezuela and Bolivia. In contrast, Eduardo Elsztain called Argentina's economic crisis experience an "asset" that had tested the Argentine people, the economy and political system, and has prepared them to take advantage of the current economic cycle. International capital markets certainly favor Argentine investment, he said, noting that a recent \$150 million bond issue by his real estate company IRSA was five times oversubscribed.

16. (SBU) AEA Directors supported greater GoA engagement with the USG on finance, trade and investment issues, but said that an election year was not really the best time to move forward aggressively on such a dialogue. They said that the generally negative public perception of the U.S. in Argentina made the U.S. an easy target for election rhetoric. Nevertheless, they seemed optimistic that this could be overcome, especially after the elections.

-----  
Concern on Competitiveness  
-----

17. (SBU) A number of AEA Directors decried the short term, opportunistic orientation of Argentine businesses -- including their own -- that leads them to focus on quick returns rather than on investment in long term infrastructure development. It also leads them to focus on investment in primary commodity production rather than on investment in more complex value added production. Ambassador asked how we can best encourage the GoA and both domestic and foreign investors to take a longer term market view. Responses included highlighting the success of U.S. and Argentine firms who have made long term investment commitments here pay off. It would also be helpful, they argued, if the USG could help demonstrate more clearly successful U.S. company operations in other countries, especially Brazil, as a means of helping Argentine business and government leaders to understand more clearly the competitive environment in which Argentina operates. Ambassador and Commercial Counselor noted that the "Americas Competitiveness Forum" that

Secretary of Commerce Gutierrez will host in June would be a good

SIPDIS

place to explore these issues more in depth. AEA Directors were pleased to see that the USG was expanding its competitiveness dialogue beyond the NAFTA countries and expressed interest in receiving more information about it. Mr. Rocca mentioned that U.S.(anti-dumping) prohibitions on imports of certain steel products over the last decade and a half were not helpful to his company.

-----  
What is Argentina to the U.S.?  
-----

18. (SBU) Arcor's Pagani spoke of a perception, strengthened following the recent POTUS tour, that Argentina is a distant second to Brazil in terms of U.S. Southern Cone priorities. On biofuels, they said that it would be good if Argentina were to participate more fully in the alliance that the U.S. and Brazil had initiated. Ambassador explained that the goal was not to exclude anyone, but rather to engage Brazil in exploring ways that its extensive and highly successful alcohol fuels program could help the region to become more energy secure. Interestingly, the business people felt that the growing importance of biofuels would make U.S. agricultural subsidies less of an impediment to future trade negotiations as world demand for grains expands.

19. (SBU) Business leaders noted the unfortunate negative connotation that the term "Washington Consensus" engenders among policymakers and voters in the region as a set of neoliberal economic policies that did not produce positive results for the countries that implemented them. They opined that the USG should seek to craft a new consensus that includes the economic policies that are contained in the "Washington Consensus," but which also includes other policies that would make the package more attractive to Latin American policymakers and voters.

-----  
The Venezuela Question  
-----

10. (SBU) Speaking about the issue of Hugo Chavez, AEA Directors asked whether the USG would allow things like the Chavez's March 9 anti-imperialist rally in Buenos Aires during President Bush's visit to Uruguay to serve as impediments to our bilateral relationship. They suggested that the USG should recognize such events and GoA populist statements for what they believe they really are - relatively unimportant and inconsequential events that are much more show than substance. Mr. Rocca said that he felt that these kinds of events could be averted through dialogue and was optimistic that his assets in Venezuela would not suffer the same fate as AES and Verizon. (Note: Rocca is a 50% stakeholder in a Venezuelan steel company that Hugo Chavez threatened to nationalize this week. End Note.)

WAYNE